2013 PILLAR 3 DISCLOSURE

THE BANK OF NEW YORK MELLON (LUXEMBOURG) S.A.

BNY MELLON

Pillar 3 Disclosure

Pillar 3 disclosures are published in accordance with the requirements of the Commission de Surveillance du Secteur Financier (CSSF) Circular 06/273 (as amended by Circulars CSSF 07/317, CSSF 10/450, CSSF 10/475, CSSF 10/496, CSSF 11/501 and CSSF 13/568).

Policy and Approach

Pillar 3 disclosures are required for a consolidated group and for those parts of the group covered by the Basel II framework. Pending implementation of the Basel II framework by The Bank of New York Mellon Corporation (BNYMC), there is currently no comparable disclosure provided on a consolidated basis by The Bank of New York Mellon (Luxembourg) S.A.'s parent undertaking. As such, the disclosures included in this report have been prepared for The Bank of New York Mellon (Luxembourg) S.A. (BNYML or the Bank) and its Italian Branch.

These disclosures have been approved by BNYML's Board of Directors who have verified that they are consistent with formal policies adopted regarding production and validation.

Information in this report has been prepared solely to meet Pillar 3 disclosure requirements of the entities noted, and to provide certain specified information about capital and other risks and details about the management of those risks, and for no other purpose. These disclosures do not constitute any form of financial statement on the business nor do they constitute any form of contemporary or forward looking record or opinion about the business.

Wherever possible and relevant, the Board will ensure consistency between Pillar 3 disclosure, Pillar 1 reporting and Pillar 2 ICAAP content e.g. disclosure about risk management practices and capital resources at year end.

Unless indicated otherwise, information contained within this document has not been subject to external audit.

Disclosure will be made annually based on calendar year end and will be published as soon as possible after publication of the annual accounts. The Bank will reassess the need to publish some or all of the disclosures more frequently than annually in light of any significant change to the relevant characteristics of its business including disclosure about capital resources and adequacy and information about risk exposure and other items prone to rapid change.

Disclosures will be published on The Bank of New York Mellon group website (www.bnymellon.com), see section Investor relations, Financial reports, other regulatory filings on the Company's website.

The Board may omit one or more disclosures if the information provided is not regarded as material. The criterion for materiality used in these disclosures is that the Bank will regard as material any information where omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions.

The Board may omit one or more disclosures if the information provided is regarded as confidential. In this circumstance, the Board will state in its disclosures the fact that specific items of information are not disclosed and the reason for non-disclosure, and will publish more general information about the subject matter of the disclosure requirement except where these are to be classified as secret or confidential.

The Bank undertakes no obligation to revise or to update any forward looking or other statement contained within this document regardless of whether or not those statements are affected as a result of new information or future events.

This policy will be periodically reassessed and updated in light of market developments associated with Pillar 3.

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1 Introduction

The Bank of New York Mellon (BNY Mellon) is a global investments company dedicated to helping its clients manage and service their financial assets throughout the investment lifecycle. Whether providing financial services for institutions, corporations or individual investors, BNY Mellon delivers informed investment management and investment services in 35 countries and more than 100 markets. As of December 31, 2013, BNY Mellon had US$27.6 trillion in assets under custody and/or administration, and US$1.58 trillion in assets under management.

These 2013 Basel II Pillar 3 disclosures relate to The Bank of New York Mellon (Luxembourg) S.A. (BNYML) and are published in accordance with the requirements of the Commission de Surveillance du Secteur Financier ("CSSF") circular 06/273 (as amended by Circulars CSSF 07/317, CSSF 10/450, CSSF 10/475, CSSF 10/496, CSSF 11/501 and CSSF 13/568). Pillar 3 disclosures are made in respect of BNYML and its Italian branch. BNYML uses the Basel II Standardised Approach for calculating credit, market and operational risk.

This disclosure is for The Bank of New York Mellon (Luxembourg) S.A. and its Italian branch as at December 31, 2013.

These disclosures were approved for publication by the BNYML Board of Directors (hereafter the 'Board') on March 28, 2014.

1.1 Purpose of Pillar 3

Basel II is the international banking accord intended to strengthen the measurement and monitoring of financial institutions' capital. The Basel II framework was implemented in the European Union (EU) through the Capital Requirements Directive (CRD). The Basel II framework establishes a more risk sensitive approach to capital management and is comprised of three pillars:

- **Pillar 1** establishes rules for the calculation of minimum capital requirements for Credit, Market and Operational Risk.
- **Pillar 2** requires firms and supervisors to take a view on whether a firm needs to hold additional capital against risks not adequately covered in Pillar 1 and to take action accordingly.
- **Pillar 3** complements the other pillars and effects market discipline through public disclosure. Expanded disclosure about capital and risk enables interested parties to gauge the capital adequacy and risk profile of individual banks and to make comparisons.

1.2 Highlights and Key Events

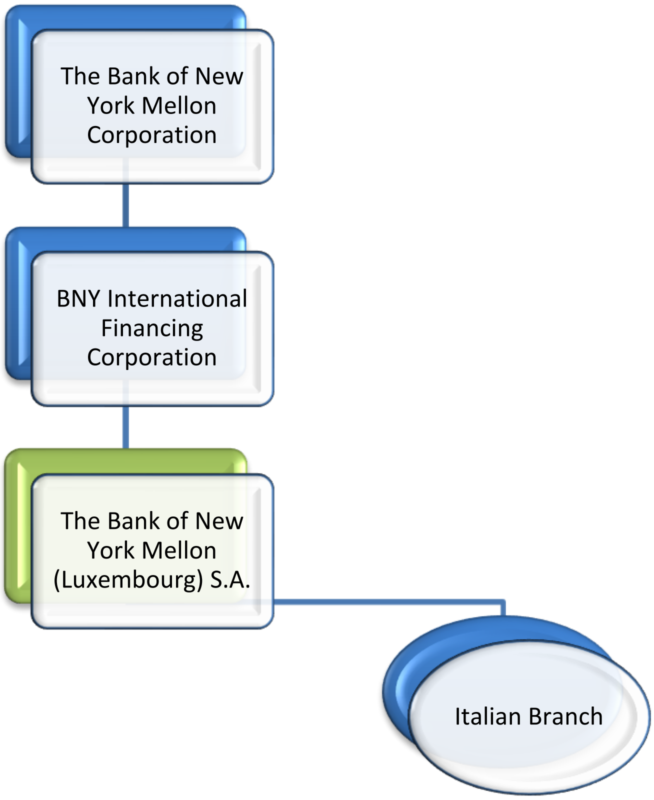
No important events impacting BNYML took place in 2013.

2 Scope and Application of Directive Requirements

BNYML is a subsidiary of BNY International Financing Corporation which is, in turn, a subsidiary of The Bank of New York Mellon Corporation ("BNYMC"). BNYML has one foreign branch, The Bank of New York Mellon (Luxembourg) S.A., Italian Branch (the "Branch").

The corporate structure of BNYML illustrated in Figure 1.

Figure 1: BNYML corporate structure



BNYML provides custody services, fund administration, transfer agency services, depository services to open-ended investment companies as well as corporate trust services.

3 Risk Management Objectives and Policies

3.1 Risk Management Framework

BNYML's approach to risk management is to ensure that all material risks are defined, understood and effectively managed according to well-designed policies and controls.

BNYML's risk appetite requires the maintenance of an appropriate Risk Management Framework that promotes a risk-aware and transparent culture and the identification, assessment, mitigation, measurement and escalation of risk and control issues.

BNYML's risk appetite is aligned to the risk appetite of BNYMC which is to maintain a balance sheet that remains strong across market cycles to meet the expectations of its major stakeholders, including clients, shareholders, employees and regulators.

The Board adopts a prudent appetite to all elements of risk to which BNYML is exposed. BNYML uses a variety of metrics to measure and monitor its risk taking activities relative to its risk appetite. Articulating risk appetite through its metrics aids important decision-making by determining actions such as pursuing new products and enterprises, exiting businesses, and aligning resources to maximise potential gains given acceptable levels of risk.

3.2 Scope and Nature of Risk Reporting Systems

BNYML's risk profile is recorded through a number of risk assessment tools. The risk management team prepares and updates the Top Risk Assessment which is reviewed and approved by the BNYML Risk Management Committee (RMC) monthly and the Board quarterly.

The BNY Mellon 'Risk Universe' defines the risk types (current or future) applicable to the business. Risk types are organised by categories according to industry standards to support the efficient classification and reporting of risks and risk events as they materialise.

3.2.1 *Risk and Control Self-Assessment*

The Risk and Control Self-Assessment (RCSA) is used by business lines to identify risks associated with their key business processes and to complete a detailed assessment of the risk and associated controls. RCSA control gaps and action plans form part of the standard risk management report to the RMC, providing oversight of risk to the business.

3.2.2 *Key Risk Indicators*

Key Risk Indicators (KRIs) are used by business lines to evaluate control effectiveness and residual risk within a business process. Material risks are monitored by appropriate KRIs. The business lines use the corporate KRI process to monitor changes in the probability of the high risks materialising, and to ensure that appropriate actions are taken. KRIs are reported at a minimum on a monthly basis.

3.2.3 *Operational Risk Events*

All operational losses and fortuitous gains are recorded in accordance with corporate policy using the Risk Management Platform, and verified through reconciliation to the Finance general ledger for completeness. Risk events are categorised and reported to the RMC monthly.

3.2.4 *High Level Assessment*

A High Level Assessment (HLA) is carried out by business lines to assess the quality of controls in place to mitigate residual risk. Residual risk is assessed as 'High,' 'Moderate to High,' 'Moderate,' 'Moderate to Low' and 'Low' with direction anticipated.

3.2.5 *Top Risks*

Top Risks are identified according to the assessment of the inherent risk, quality of controls in place to mitigate risk and likelihood to identify residual risk. Top Risks are rated as 'High,' 'Moderate to High,' 'Moderate,' 'Moderate to Low' and 'Low' with direction anticipated. A Top Risk assessment is reported to the RMC and the Board. Top Risks are also consolidated into the BNY Mellon Top Risk Reporting process for reporting to regional risk committees.

3.2.6 *Stress Testing*

The process reflects stressed scenarios that identify an appropriate range of adverse circumstances of varying nature, severity and duration relevant to the BNYML risk profile. Stress testing is also undertaken on an ad hoc basis. Sources of risk information used to assist scenario development include Top Risk Reporting, financial sensitivity analysis, outputs from the risk assessment tools, operational risk trends, macro-economic data, financial news, client management information or general business statistics.

Scenarios are derived from current, emerging, and plausible future risks and strategy, and reviewed, discussed and agreed by BNYML's Risk Management Committee (RMC) and the Board.

The conclusion of the stress testing process is a statement of the future risk(s) the business faces, control improvements to mitigate the impact should the risk arise and where appropriate, a recommendation for the capital held against each risk type.

3.3 Risk Management Governance

BNYML has established risk and stress testing governance to periodically review, challenge and approve risk and capital management processes.

The goal of the BNYMC approach to risk management is to ensure that all material risks in each business line are defined, understood, and effectively managed using well-designed policies and controls. BNYML's Risk Management framework helps ensure the latter. Risk Management complies with corporate policies on Risk Appetite and Managing Risk culture centred around the Three Lines of Defence (figure 2) advocated by the BNYMC's Chief Risk Officer and described in the Risk Culture and Risk Management Overview Presentation. Within the EMEA region the EMEA CRO oversees the management of risk and is supported in this role by Senior Risk Managers operating at business line and/or functional level.

Figure 2: Three Lines of Defence

BNYML fully complies with the Corporate culture of risk management as Risk is managed at:

- **First line of defence**: General Management, the Business Acceptance Committee, the Executive Committee and the Board of Directors
- **Second line of defence**: Chief Risk Officer, Chief Compliance Officer, the Risk Management Committee (which has representation from Finance, Human Resources and Legal)
- **Third line of defence**: Internal Audit involved in the Risk Management Committee, the ICAAP Working Group, and audits the ICAAP Process

The RMC is responsible for ensuring that risk and compliance activities undertaken by BNYML and its Branch are executed in accordance with internal policies and all relevant regulations. The RMC has oversight of the Branch and underlying businesses of BNYML and reports to the Board and the EMEA Investment Services Risk and Compliance Committee. For the avoidance of doubt, the Luxembourg RMC will not typically review ICAAP (Internal Capital Adequacy Assessment Process) submissions. Responsibility for reviewing and approving ICAAPs resides with the Board. At a corporate level the BNY Mellon Basel Executive Oversight Committee provides senior management oversight of company-wide Basel processes.

At BNYML, the Board is responsible for both the management and the oversight of risks together with the quality and effectiveness of internal controls but has delegated risk management oversight to the General Management, supported by the Luxembourg and EMEA Risk Management Committees. The Board is responsible for reviewing, challenging and approving all risk management processes including risk identification and assessment, stress testing and capital adequacy. The various control functions provide further support for the management of risk within the business.

3.3.1 Business Unit Risk

Business Acceptance Committees are responsible for aligning new business to appropriate business lines and subsidiaries and assessing and approving the associated risks.

Each Business has a Risk Manager aligned to the business. These Risk Managers are independent of the business and oversee the adherence to Corporate Risk policies and governance requirements. The Risk Management organisation is based on a three tiered structure beginning with Corporate Risk which creates the Corporate policies, local/Country/business Risk Management form the second tier, with the third tier being the operational unit which is considered to be the primary owner of all risk relating to the business activities. The operational units may have dedicated Embedded Control Management (ECM) resources who at the direction of the business or the Global Operational Control management team will conduct testing on the operational activities and support internal and external audit work.

3.3.2 EMEA Risk Management Framework

As a global organisation, BNYMC has established governance structures to monitor and assess risks on an enterprise-wide basis. BNY Mellon is organised on a regional basis, where BNYML forms part of the Europe, Middle East and Africa (EMEA) region. Oversight for EMEA is executed primarily through the following committees:

- EMEA Executive Committee
- EMEA Senior Risk Management Committee
- EMEA Investment Services Risk and Compliance Committee
- EMEA Asset Servicing Executive Committee
- EMEA Asset and Liability Committee
- EMEA AML Oversight Committee
- EMEA Controls Committee
- EMEA Stress Testing Oversight Committee

3.4 Risk Appetite

BNY Mellon defines risk appetite as the maximum level of risk it is willing to accept while maximising the interests of shareholders and other corporate stakeholders including regulators. Risk appetite is linked to the strategic direction set by senior management and is approved by the BNYMC Board of Directors. Risk appetite considers the balance between risk and reward aligning the strategic goals and the overall risk.

The risk appetite is articulated through a comprehensive set of metrics; where capital represents one of the core elements of BNYMC's risk appetite. Thresholds are established to measure the performance of the business against its risk appetite.

BNYML's risk appetite statement is aligned to the appetite of BNY Mellon, which is to commit to maintaining a balance sheet that remains strong across market cycles to meet the expectations of its major stakeholders, including clients, shareholders, employees and regulators. The BNYML risk appetite statement is reviewed by the Board on an annual basis. BNYML has risk appetite statements relating to economic capital and business activities (about Asset Servicing, Alternative Investment Services and Corporate Trust services).

3.5 Credit Risk

Credit risk is the risk of default from counterparties or clients for deposits, loans, commitments, securities and other assets where the realisation of the value of the asset is dependent on its ability to perform. Credit risk could also arise from off-balance sheet items including counterparty credit risk and securities lending indemnifications and letters of credit identifying exposures (balance sheet and non-balance sheet).

Credit risk is seen as relatively low, given BNYML's deposit focused liability driven balance sheet. No wholesale funding is currently required. The majority of funds are placed with banks within the BNYMC group. The Bank is exposed to several counterparties and has a relationship with a number of sub-custodians. The Bank does not have a trading book and does not have any derivative positions in its banking book.

Credit is not actively sold nor provided to clients to support operational activity. Client overdraft activity is limited to situations where payments are to be covered by immediately available funds from a verified source. Payments against uncollected funds have the potential to cause overdrafts on an overnight basis. Intraday timing differences and processing errors can lead to such exposures, which are monitored. Approval would be in the hands of a totally independent Credit Officer, with specialist understanding of the collective funds/investment industry. Client overdraft credit risk is mitigated by the existence of guarantees or liens on client assets.

The Bank has established intraday payment credit lines for certain clients in order to facilitate the disbursement of a client's funds in BNYML accounts to their investors prior to the credit of covering funds in the client's BNYML accounts.

BNYML does not typically hold collateral to mitigate credit risk exposure in respect of banks. For clients, the standard custody agreement gives a lien over custody assets including equities, bonds, gilts; or guarantees. As at December 31, 2013, BNYML applied financial collateral such as assets held on behalf of clients (off-balance sheet), third party guarantees or credit derivatives as credit risk mitigation within the Pillar 1 calculation.

BNYML also places substantial deposits (69% as at December 31, 2013) with The Bank of New York Mellon SA/NV ("BNYM SA/NV") and therefore is exposed to credit concentration risk. BNYM SA/NV is well capitalised with EUR 1.51 billion of available capital reserves as of December 31, 2013. In respect of the large exposure rule, BNYML was granted an intra-group exemption by the CSSF on the July 6, 2011 as per circular 10/475.

Since the implementation of the CSSF Circular 10/475 modifying the large exposure regime, additional daily controls are performed on Interbank exposures, to ensure that these do not exceed the 100% of regulatory own funds limit.

BNYML does not engage in hedging its credit risk as it believes the policies in place are sufficient to ensure adequate credit quality. Should the situation arise where this became necessary, BNYML could call upon the expertise of its parent in these matters.

3.5.1 *Credit Risk Exposure*

Credit exposure is computed under the Standardised approach. This method for calculating credit risk capital requirement uses supervisory risk weights.

Except where stated, exposure is defined as **Exposure at Default (EAD) pre Credit Risk Mitigation (CRM)** i.e. a regulatory exposure value after the application of Credit Conversion Factors (CCF) for off balance sheet items (including undrawn commitments) and, after netting but before application of Credit Risk Mitigation factors (e.g. property, other physical collateral). The calculation of EAD therefore takes into account both current exposure and potential drawings prior to default over a 12 month time horizon. As such, exposure in this context may differ from statutory GAAP accounting balance sheet carrying values.

The following credit risk exposure tables (1) to (4) summarise the credit exposure for BNYML.

i) Standardised gross Credit exposure (EAD pre CRM)[1]

The following table summarises the standardised gross credit exposure by class as at December 31, 2013.

Table 1: Standardised gross credit exposure by exposure class

Standardised gross credit exposure by exposure class	Exposure at Default (EAD) pre Credit Risk Mitigation (CRM)		Average EAD pre CRM		Standardised Credit Risk Capital Requirement	
(€000s)	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Central Governments and Central Banks	710,423	898,058	877,204	643,858	-	-
Institutions	2,316,253	1,950,610	2,164,026	1,965,868	37,080	31,225
Corporates	36,528	18,613	41,927	19,585	2,366	920
Short term claims on Institutions and Corporates	-	-	-	23	-	-
Collective Investment Undertakings	-	-	-	-	-	-
Other	15,056	23,075	17,836	29,230	1,032	1,626
Total	**3,078,260**	**2,890,356**	**3,100,993**	**2,658,564**	**40,478**	**33,772**

ii) Standardised gross Credit exposure (EAD pre CRM) by industry sector[2]

The following table summarises the standardised gross credit exposure by industry sector as at December 31, 2013.

Table 2: Standardised gross credit exposure by industry sector

Standardised gross credit exposure by industry sector	Central Governments and Central Banks		Institutions		Corporates		Short term claims on Institutions and Corporates		Collective Investment Undertakings		Other		Total	
(€000s)	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Central and local government	710,423	898,058	-	-	-	-	-	-	-	-	-	-	710,423	898,058
Insurance companies and pension funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Banks and other financial	-	-	2,316,253	1,950,368	36,528	18,613	-	-	-	-	14,881	23,075	2,367,662	1,992,056
Other business activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Personal and community service activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other individual loans and advances	-	-	-	242	-	-	-	-	-	-	175	-	175	242
Total	**710,423**	**898,058**	**2,316,253**	**1,950,610**	**36,528**	**18,613**	**-**	**-**	**-**	**-**	**15,056**	**23,075**	**3,078,260**	**2,890,356**

iii) Standardised gross Credit exposure (EAD pre CRM) by geographical area[3]

The following table summarises the standardised gross credit exposure by geographic area as at December 31, 2013.

Table 3: Standardised gross credit exposure by geographic area

Standardised exposure classes	Luxembourg		EMEA		America		Asia Pacific		Total	
(€000s)	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Central Governments and Central Banks	696,070	888,492	14,353	9,566	-	-	-	-	710,423	898,058
Institutions	8,448	24,495	2,187,684	1,867,046	88,135	37,943	31,986	21,126	2,316,253	1,950,610
Corporates	36,502	18,477	1	17	26	119	-	-	36,528	18,613
Short term claims on Institutions and Corporates	-	-	-	-	-	-	-	-	-	-
Collective Investment Undertakings	-	-	-	-	-	-	-	-	-	-
Other	14,680	15,277	36	7,606	340	165	-	27	15,056	23,075
Total	**755,700**	**946,741**	**2,202,074**	**1,884,236**	**88,500**	**38,227**	**31,986**	**21,152**	**3,078,260**	**2,890,356**

[1] Standardised exposure classes are per CSSF definitions. Other items principally comprise trade and other debtors, interest and accounts receivable and prepayments. Average exposure is based on 2013 quarterly capital adequacy reporting.

[2] Industry sectors are based on the CSSF economic classification of the counterparty.

[3] Geographic distribution is based on the domicile of the borrower or obligor. Europe, Middle East & Africa excludes Luxembourg (separately reported).

iv) Standardised gross Credit exposure (EAD pre CRM) by residual maturity

The following table summarises the standardised gross credit exposure by residual maturity as at December 31, 2013.

Table 4: Standardised gross credit exposure by residual maturity

Standardised gross credit exposure by residual maturity	Less than 3 months		3 months to 1 year		Over 1 year or undefined		Total	
(€000s)	2013	2012	2013	2012	2013	2012	2013	2012
Central Governments and Central Banks	710,423	898,058	-	-	-	-	710,423	898,058
Institutions	2,316,253	1,950,368	-	-	-	-	2,316,253	1,950,368
Corporates	36,528	18,613	-	-	-	-	36,528	18,613
Short term claims on Institutions and Corporates	-	-	-	-	-	-	-	-
Collective Investment Undertakings	-	-	-	-	-	-	-	-
Other	14,903	23,102	59	70	93	145	15,056	23,317
Total	**3,078,107**	**2,890,141**	**59**	**70**	**93**	**145**	**3,078,260**	**2,890,356**

3.5.2 *Impaired and Past due assets and Provisions*

For BNYML, specific provisions are made against loans and advances when, in the opinion of the Directors, recovery in full is doubtful. A general provision is made to cover bad debts that have not been separately identified at the balance sheet date but are known to be present in client receivables. Specific and general statistical provisions are deducted from loans and advances. Loans and advances and suspended interest are written off in part or in full when there is no realistic prospect of recovery.

As at December 31, 2013, BNYML has no material impaired assets for which a specific or general provision had been raised. There were no material assets past due greater than 90 days. BNYML did not incur any material write-offs of bad debts or make any recovery of amounts previously written off during the year to December 31, 2013.

3.5.3 *Capital Resource Requirement*

BNYML calculates Pillar 1 credit risk capital resource requirement using the Standardised Approach, as defined in CSSF Circular 06/273.

BNYML does not use external credit assessments provided by Fitch, Moody's, and Standard and Poor's (ECAIs) to determine the risk weighting of exposures in its portfolios depending on counterparty type and coverage. In accordance with CSSF Circular 06/273 Part VII, and given that all cash balances with institutions are on call, these balances are allocated a 20% risk weighting. Client overdrafts are largely allocated a 100% risk weighting.

3.6 Counterparty Credit Risk

Counterparty credit risk is the risk that a counterparty to a contract recorded in either the trading book or non-trading book defaults before fulfilment of cash-flow obligations.

As at December 31, 2013, BNYML did not have any trading book positions or derivative positions in its banking book and therefore had no counterparty credit risk.

3.7 Market Risk

Market risk is the risk to a firm's financial condition arising as a result of adverse movements in the markets, such as foreign currency exchange rates, interest rates and equity and commodity prices.

BNY Mellon has established risk limits (including value at risk ('VaR') limits and stop loss advisory trigger amounts) and monitoring limits within the risk appetite tolerance. BNY Mellon's Global Markets Risk function distributes a daily VaR report. Daily limits are monitored through regular reporting to management and through a designated market risk officer.

BNYML's exposure to market risk arises mainly from the impact on the Bank's balance sheet and impact on the Bank's revenues and therefore profitability. The Bank is exposed to two types of market risk:

a) Foreign exchange risk: the Bank's revenues are denominated in a mix of currencies whereas a high proportion of its costs are denominated in Euro. Any foreign exchange risk in the Bank's non-trading book is managed by matching of assets and liabilities. Income received in foreign currencies is converted to EUR to avoid exposure to currency risk. Apart from the risk of an operational execution error, the Bank is not significantly exposed to this risk.

b) Interest rate risk: the Bank has no significant balance sheet interest rate risk exposure. BNYML exposure to interest rate risk is principally related to interest earnings on its own cash deposits. The Bank seeks to earn competitive interest rates on the cash balances held but adopts a very low risk approach (on call deposits only). Interest rate risk in the non-trading book is discussed in Section 3.15.

BNYML does not run a trading book and matches its interest rate risk in its non-trading book.

3.7.1 *Capital Resource Requirement*

BNYML calculates the Pillar 1 market risk capital resource requirement for Foreign Exchange based on Standardised approach as defined in CSSF Circular 06/273.

3.8 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events (including legal risk but excluding strategic and reputation risk). It may arise from errors in transaction processing, breaches of internal control systems and compliance requirements, internal or external fraud, damage to physical assets, and business disruption due to systems failures, execution, delivery and process management or other events. Operational risk can also arise from potential legal or regulatory actions because of non-compliance with regulatory requirements, prudent ethical standards or contractual obligations, these being sub-classified as compliance risk.

The level of BNYML's operational risk is managed through rigorous operating policies, procedures and controls set by the Board and implemented by Risk Management.

BNYML business managers are responsible for Risk Control Self Assessments ("RCSA"), which includes identification of the risks associated with key business processes, identifying and measuring the effectiveness of controls in place to manage risk and for remediation of any weakness. RCSAs are reviewed on at least an annual basis by the Embedded Control team with the guidance of the Business and Risk Management. Risk Management have an independent oversight role for this reporting.

The Board monitors operational risks and the appropriateness of controls through the RMC and independent reporting from risk managers. This requires BNYML to update regularly its RCSAs, as well as monthly KRIs and ensure prompt reporting of any significant financial losses or gains as a result of errors.

The Risk Management performs monitoring appropriate to the business and identified risks, which includes KRI reporting, significant event analysis, ad hoc reviews as requested by General Management. In addition, key elements of the RCSA's, the internal control environment, monitoring and governance arrangements are routinely reviewed and challenged by the Risk Management Committee. Luxembourg Chief Risk Officer and EMEA Risk Architecture is also required to formally review the ICAAP at least annually, coupled with quarterly ICAAP refresh processing.

3.8.1 *Capital Resource Requirement*

BNYML calculates the Pillar 1 operational risk capital resource requirement under the Basel II Standardised Approach. It has been determined that BNYML falls under the Agency Services Basel business line. The standard indicator approach for operational risks sets out a 15% risk rate for a single indicator that is determined by the sum of net interest income and net non-interest income. The operational risk is based on a 5 year projection.

3.9 Liquidity Risk

Liquidity Risk is the risk that BNYML cannot meet its cash and collateral obligations at a reasonable cost for both expected and unexpected cash flow and collateral needs without adversely affecting daily operations or financial conditions.

Liquidity risks can arise from funding mismatches, market constraints from inability to convert assets to cash, inability to raise cash in the markets, deposit run-off, or contingent liquidity events. Changes in economic conditions or exposure to credit, market, operational, legal, and reputational risks also can affect BNYML’s liquidity risk profile and are considered in the liquidity risk framework.

Intra-day Liquidity Risk is the risk that BNYML cannot fund and /or settle its obligations or clients’ securities servicing obligations throughout the day, primarily due to disruptions or failures.

In terms of liquidity management, BNYML enjoys a strong base of core client deposits for its funding which arises from its role as a leading asset custodian and trustee. BNYML does not rely on either retail funding or wholesale funding in its business model. Asset/liability management is managed globally through BNYM treasury activities in key financial centres, such as New York, London and Brussels, and is driven by client cash needs and transactions.

BNYML will at all times maintain liquidity resources which are adequate both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met in full as they fall due.

BNYML is self-sufficient within the group liquidity framework and complies with local capital and liquidity regulations. The Board of BNYML has approved a specific policy for liquidity risk management. BNYML maintains and monitors a daily liquidity ratio in accordance with CSSF circular IML 93/104. This ratio is reported to General Management and to the Board. Liquidity risk is seen as relatively low given that both client deposits and own cash are on call. There is thus no significant maturity mismatch.

3.10 Compliance Risk

Compliance risk covers the impact on earnings or capital from violation, or non-compliance with laws, rules, regulations, prescribed practices or ethical standards which may, in turn, expose BNYML and its directors to fines, payment of damages, the voiding of contracts and damaged reputation (with accompanying indirect costs).

BNYML establishes processes and procedures to ensure compliance with applicable laws, regulations, policies, procedures and the Code of Conduct. Emerging regulations and changes are monitored by the Compliance and Risk functions. Impact assessments are performed and implementation plans established where necessary to ensure compliance.

Evidence in the Bank’s history of losses indicates that this level of risk is very low. BNYML has never suffered from a sanction event where the regulator has imposed a fine.

3.11 Business Risk

Business risk is the risk of loss caused by unexpected changes in the macro-economic environment, client behaviour, inappropriate management actions, performance of competitors or events that impact earnings, for example, market contraction, reduced margins from competition, adverse customer selection and business concentration.

The principal business risk for the Bank is within the Asset Servicing and Alternative Investment Services sector as this is mainly driven by the fact that fees are significantly based on the client's Net Asset Value (NAV) for Fund Accounting and Custody. As business risk is difficult to assess, it has been defined as the residual risks that confront the Bank, after taking all the known and quantifiable risks into consideration. A potential emerging risk that may arise through reduced variable compensation is that the firm becomes sensitive to pressure from the market to reduce variable compensation and headcount.

3.12 Outsourcing Risk

Outsourcing risk is the risk that failure in respect of the provision of services by third party provider(s) that could potentially damage an entity's operations, or if contracts with any of the third party providers are terminated, that the entity may not be able to find alternative providers on a timely basis or on equivalent terms.

BNYML relies on internal and external outsourcing entities within and outside of the BNYMC group to perform its core business activities on a continuing basis. To date, BNYML has only outsourced critical tasks (defined as material in the sense of the Grand-Ducal Regulation of July 13, 2007) to BNYMC group entities which hold the required permissions in their jurisdiction to carry out the respective delegated tasks. Currently there are no critical tasks outsourced to third parties outside BNYMC entities.

BNYML's Outsourcing Policy details certain minimum standards that should be adopted when considering or dealing with a service and/or activity that is outsourced to another legal entity, either within the Group or to an external provider and establishes a framework for evaluating and analysing outsourcing projects.

3.13 Concentration Risk

Concentration risk is the risk of loss arising from significant interrelated asset or liability exposures, which in cases of distress associated with markets, sectors, countries, or areas of activity may threaten the soundness of the institution.

Traditionally analysed in relation to credit activities, concentration risk arises from exposures that may arise within or across different risk types, including intra-risk concentration where exposure concentration exists within a single risk type, and inter-risk concentrations arising from interactions between different risk exposures across different risk categories connected by a common risk factor (e.g. counterparties, vendor, economic sector, geographic region, and/or financial instrument/product type).

BNYML have acknowledged the CSSF Circular 13/574 issued on October 28, 2013, regarding the adherence to the guidelines set down in the EBA GL31 document. The key elements affecting BNYML are detailed below and further analysis of the document is under way to ascertain further impacts and applicability and necessary action plans to complete adherence and further management of the identified impacts.

BNYML is exposed to concentration through:

- Credit
- Client
- Operational

3.13.1 *Credit Concentration Risk*

Credit concentration risk results from concentration of exposures to a single counterparty, borrower or group of connected counterparties or borrowers. This includes on and off-balance sheet exposures.

BNYML is exposed to credit concentration risk on account that the vast majority of its current assets are held with BNYM SA/NV (deposits totalling EUR 2,073 billion with BNYM SA/NV at December 31, 2013 or 69% of the total cash balances). Given that BNYM SA/NV is compliant with its own risk appetite, the Board is confident this risk is not significant over a one year period.

3.13.2 *Client Concentration Risk*

BNYML is exposed to client concentration risk. Client concentration risk remains stable compared to last year. The Bank constantly seeks to diversify products and activities, increase the number of new client take-ons, review pricing, review the relationship with unprofitable clients and increase productivity.

3.13.3 *Operational Concentration Risk*

Concentration risk in operations can arise from a number of operational risk factors, including external suppliers providing key products and services, external market counterparties, and the geographic concentration of operations.

BNYML has a number of operational dependencies on the BNY Mellon Group (section 3.14).

3.14 Group Risk

Group risk is the risk that the financial position of BNYML may be adversely affected by its relationships (financial and non-financial) with other entities within BNYMC or by risks that may affect the whole of BNYMC.

BNYML has group dependencies on BNY Mellon, including business leadership, dependency on certain IT systems and support services provided by central functions. In addition, BNYML places substantial deposits with other entities in the BNY Mellon Group and therefore is exposed to credit risk.

3.15 Interest Rate Risk in Non-trading Book

Interest rate risk (IRR) is the risk associated with changes in interest rates that affect net interest income (NII) from interest-earning assets and interest-paying liabilities. For regulatory purposes, interest rate risk is monitored in the trading portfolio and non-trading book separately. IRR exposure in the non-trading book arises from on and off-balance sheet assets and liabilities, and changes with movements in domestic and foreign interest rates.

The IRR is monitored by the Market Risk Management Team and has a daily VaR calculation against a stop loss limit. Any breaches would be reported to the RMC and the Board.

The CSSF Circular 08/338 stipulates that banks must submit their non-trading book activities to a stress test on interest rate risk. This test shows the extent to which interest rate risk is likely to result in a decline in the economic value of the institution by more than 20% of its own funds.

BNYML has performed this analysis and has concluded that no capital is required to cover interest rate risk on its non-trading book activities. The Bank does not run a trading book and matches its interest rate risk on its non-trading book. The Bank has no material assets and liabilities subject to interest rate risk.

3.16 Legal Risk

Legal risk is the risk associated with a breach of contract, law, regulation and fiduciary responsibility.

BNYML's legal risks fall into the following four categories:

1. Corporate
2. Client
3. Employee
4. Suppliers

The legal risk associated with Corporate, Client and Supplier legal risk are considered low, based on historical and current experience. Given the five year strategy, this is not envisaged to change on a business as usual basis. The legal risk relating to Employee is included in the operational risk.

3.17 Model Risk

Model risk is defined as the error in estimation or measurement resulting from the inherent limitations in the financial models used in assessing and managing risk.

BNYML uses models in its risk management framework. All models are controlled by the BNY Mellon model risk management process under the responsibility of the BNY Mellon Credit and Operational Risk Management Committee (CORMC) and the BNY Mellon Risk Quantification and Modelling Committee. The Risk Quantification Committee maintains the model inventory, and oversees model review. BNY Mellon Internal Audit reviews compliance with the corporate Model Validation Policy.

3.18 Pension Obligation Risk

Pension Obligation Risk is caused by contractual liabilities or moral obligation to a company's staff pension schemes. BNYML only operates a Defined Contribution pension scheme for its staff, and has no Defined Benefit pension scheme.

BNYML is not exposed to the Pension Obligation risk.

3.19 Reputation Risk

Reputation risk covers the risk to brand and relationships which do not arise out of any error. It can arise from all aspects of business activities, including but not limited to operational failures in business practices, legal or regulatory sanctions, joint ventures with outside firms, engagements with third-party vendors, or off-balance sheet activities.

BNYMC relies heavily on its reputation and standing in the market place to retain and attract clients. BNYML identifies and assesses the impact of reputation risk through its risk management processes and using scenario analysis.

3.20 Strategic Risk

Strategic risk is defined as the risk of direct or indirect loss arising from the adverse effects or the improper implementation of business decisions. Strategic risk can result from either a misalignment of business line decisions which impact the group, or failure to deliver business value through new strategic initiatives.

BNYML relies on robust governance processes to monitor and/or mitigate strategic risk. BNYML will maintain a Risk Management Framework to ensure that risks inherent in its business activities are identified, measured, managed and monitored with adequate business acceptance controls and mitigation in place.

3.20.1 *Country Risk*

Country Risk is the risk of unfavourable evolution of operating profits and/or value of assets due to changes in the business environment resulting from political or macroeconomic factors. Country risk is a stabilising risk due to exposure to Italy and (to a lesser degree) to Russia. Italy, along with other Eurozone countries, is not currently experiencing the severe trials that impacted it in 2012 and that gave rise to questions around a sovereign debt crisis. Such a crisis would have severely impacted the BNYML Italian Branch that is active in the Corporate Trust Business.

BNYML offers Fiduciary Depositary services to Russian based issuers. The associated risks of transfer risk are; the potential loss of assets (cash) through radical political, or socio-economic changes; and/or currency control risk through the imposition of conversion and transfer restrictions due to changes in regulations that affect free flow and control. However, this risk is negligible as investor cash flows do not flow through any BNYML accounts.

3.21 Settlement Risk

Settlement risk is the probability of loss arising from the failure of one counterparty to settle its side of a transaction, thus preventing other counterparties from settling their commitments. It arises usually when payments are not exchanged simultaneously.

Following the publication of CSSF Circular 10/496 which states that as from the December 31, 2011, Part VIII of CSSF Circular 06/273 covering capital requirements for settlement risk will no longer be limited to trading book transactions and thus will be applicable to all banking activities, the Bank performed an analysis to assess how its banking book could be subject to settlement risk.

It has been concluded that BNYML was not subject to settlement risk as it held no securities, foreign exchange or commodities positions.

3.22 Non-trading book exposures in equities

BNYML did not have any non-trading book exposures in equities as at December 31, 2013.

3.23 Securitisation Risk

As at December 31, 2012, BNYML did not have any securitisation risk-weighted exposure calculated under CSSF circular 06/273 Part X.

4 Capital Resources

The following table summarises the capital resources for BNYML and its Italian Branch, as at December 31, 2013. The summary Pillar 1 capital requirements are presented by exposure class, and the associated capital surplus and capital adequacy ratio.

The following table summarises the composition of the BNYML regulatory capital as reported to the CSSF as at December 31, 2013. The Bank does not have any Innovative Tier 1 capital nor Tier 3 capital as at December 31, 2013.

Table 5: Capital resources & requirements

As at 31 December Capital Resources (€000s)	BNYM Luxembourg S.A. 2013	2012 [4]
Tier 1 Capital		
Called up Share Capital	74,831	74,831
Retained Earnings and other Reserves	944	906
Net result [5]	(372)	38
Total Tier 1 Capital	75,404	75,776
Deductions from Tier 1 Capital		
Intangible Assets - Goodwill	(3,427)	(3,427)
Adjustment to other valuation differences affecting the eligible reserve	(3,545)	(1,907)
Total Tier 1 Capital after deductions	68,432	70,442
Tier 2 Capital		
Upper Tier 2 Capital		
Loan capital - subordinated debt	-	-
Total Tier 2 Capital	-	-
Deductions from total of Tier 1 and 2 capital		
Total Deductions from total of tiers 1 and 2 capital	-	-
Total Capital Resources	**68,432**	**70,442**

4.1 Risk Weighted Assets

The following table summarises the Risk Weighted Assets (RWAs) for BNYML and its Italian Branch by risk type.

[4] 2012 audited figures are used in these disclosures

[5] 2013 unaudited loss included in the Tier 1 capital computation

Table 6: Risk Weighted Assets by risk type

As at 31 December Risk Weighted Assets (RWAs) by risk type (€000s)	BNYM Luxembourg S.A. 2013	 2012
Credit Risk	505,979	422,146
Operational Risk	56,365	48,922
Market Risk	3,686	4,990
Total RWAs	**566,030**	**476,057**

5 Capital Requirements and Adequacy

The following table details the Pillar 1 capital requirements by exposure class for BNYML and its Italian Branch as at December 31, 2013.

Table 7: Capital requirements by risk type

As at 31 December Capital Requirements and Adequacy (€000s)	BNYM Luxembourg S.A. 2013	 2012
Credit Risk Standardised Approach		
Central Governments and Central Banks	-	-
Institutions	37,080	31,225
Corporates	2,366	920
Short term claims on Institutions and Corporates		
Collective Investment Undertakings		
Other [6]	1,032	1,626
Total Credit Risk capital requirement	40,478	33,772
Operational Risk - standardised approach [7]	4,509	3,914
Market Risk [8]		
Foreign currency Position Risk Requirement	295	399
Total Market Risk capital requirement	295	399
Total Pillar 1 Capital Requirements	45,282	38,085
Total Capital Resources	68,432	70,442
Capital surplus	23,150	32,357
Total Capital Resources / Total Pillar 1 Capital Requirements	**151%**	**185%**

[6] Other Items' Capital requirement is predominantly in respect of other accruals and prepayments.
[7] The Standardised Approach has been adopted for Operational Risk. The capital charge for each business line is calculated by multiplying gross income by a factor (denoted Beta).
[8] The Bank does not carry out any trading activities and therefore does not allocate capital for market risk exposure apart from foreign exchange risk. The foreign exchange risk capital charge is based on historic foreign currency balances using the calculation required by the CSSF.

6 Remuneration Disclosure

BNYML has a remuneration policy in existence which has been approved by the Board of the Bank as well as by the EMEA Remuneration Governance Committee (ERGC) of BNYMC.

BNYML is a subsidiary of BNYMC and therefore the Identified Staff Members participate in the compensation plans applicable for their line of business or business partner function. These plans are generally under the oversight responsibility of the Human Resources and Compensation Committee (HRCC) of BNYMC whose members are non-executive board members and who acts on behalf of the Board of BNYMC.

Any significant changes to any high risk compensation plans are reviewed and approved by the Compensation Oversight Committee (COC) of BNYMC. They also are responsible for the annual review of each incentive compensation plan and for advising the HRCC for any compensation related issues. COC is comprised of members of BNYMC management (i.e. Chief Human Resources Officer, CRO, CFO, Compliance Chief Administrative Officer and the Risk Management).

It has been decided not to establish a remuneration committee within the Board of the Bank taking into account the composition and responsibilities of the bodies listed above.

This policy is reviewed every year and implements the laws of the Grand Duchy of Luxembourg and the regulations of the CSSF in application of the EU Directive 2010/76/EU, the CEBS guidelines on remuneration.

6.1 Remuneration for those Identified Staff

Identified Staff are those Bank employees specifically identified by the Bank as whose professional activities have a material impact on the institution's risk profile according to the guidelines and any other guidance criteria provided by the CSSF.

The tables below provide aggregate remuneration data for the 15 staff members who are Identified Staff.

Table 1: Aggregate remuneration expenditure for Identified Staff in 2013

	BNYML		
	Operations(*)	Shared(**)	Total
	€000s	€000s	€000s
Total Remuneration	2,440	707	3,147

Includes base salary and other cash allowances, plus any cash incentive and the total of any awards made in BNY Mellon shares or options,

* Those Identified Staffs under Asset Servicing, Alternative Investment Services and Corporate Trust operations

** Those Identified Staffs who are responsible for independent control function and senior management excluding heads of operations

Table 2: Aggregate remuneration expenditure for Identified Staff relating to 2013 by remuneration type

	BNYML		
	Operations	Shared	Total
	€000s	€000s	€000s
Number of beneficiaries	10	5	15
Fixed remuneration(*)	1,792	585	2,377
Variable remuneration	648	122	770
Cash	550	86	636
Long term incentive	98	36	134

(*) Fixed remuneration includes salary and any cash allowances

Table 3: Outstanding aggregate deferred remuneration for Identified Staff paid in 2013

	BNYML
	€000s
Unvested as of December 31, 2012 (*)	100
Awarded during the financial year (**)	7
Vested during the financial year (**)	(13)
Lapsed	-
Outstanding as of December 31, 2013	94

(*) All these amounts are the number of options or RSU's.

(**) Awarded in February 2012 in relation to the 2011 performance year.

(***) Includes restricted stock vest and options exercised

Table 4: Aggregate sign-on, buy-out and severance payments for Identified Staff in 2013

	BNYML
Sign-on payments	-
Number of beneficiaries	-
Buy-out payments	-
Number of beneficiaries	-
Severance payments	-
Number of beneficiaries	-

6.2 Governance

The Bank's remuneration policy is approved by the Board and the ERGC. The decisions in respect of variable remuneration are proposed by the lines of business or business partner for each Identified Staff member and are approved by the Board on the recommendation of two non-executive directors.

6.3 Alignment of Remuneration

The Bank's remuneration is comprised of both fixed and variable portion. The variable remuneration is decided taking into account the following factors:

i. the financial results of BNYMC and BNYML;
ii. current and future risks incurred by BNYMC and BNYML;
iii. individual performance of the staff member, as documented in a formal appraisal system, against agreed goals set at the start of the plan year.
iv. In the case of heads of control functions, such performance is always evaluated in light of the mission of their function, not on the basis of the results of the business or businesses they control.

In relation to the individual performances, these are assessed as part of the performance management program done on an annual basis. The performance management program includes one or more risk goals that helps employees to understand specific risks associated with their job.

The variable remuneration consists of a cash part determined by the functional hierarchy of the business or business partner service to which the individual staff member belongs, and in the accordance with the terms and conditions of the incentive compensation plan that is applicable for the business or business partner service. In order to align cash payouts with the management of the longer term business risk, BNYMC has established a corporate deferral program. Furthermore, BNYMC requires employees who receive cash bonuses to agree to repay all or part of the bonuses that have been awarded for performance based on data which was subsequently to be proven fraudulent.

On top of the cash part, the variable remuneration of senior staff typically contains a deferred part in the form of Restricted Stock Units or options on shares of The Bank of New York Mellon Corporation, Inc, listed on the NY stock exchange. The options could not be exercised until one year after the award date and typically are exercisable rateably over a four year period and have a life of 10 years from grant. Restricted stocks units typically vest four years after the grant date but other deferral periods are possible.

The Bank's equity based remuneration are intended to be a key element of the Bank's pay-for-performance compensation program by aligning the senior staff's portion of the remuneration with changes in our stock price over a multiple-year period.

6.4 Risk Adjustment measures

The policy provides for risk adjustment of variable remuneration in line with the compensation plans applicable to each individual. The incentive compensation plans applicable in Luxembourg are funded based on a pre-tax net income basis, using the BNYMC's financial metrics.

Individuals are rewarded from the pools thus determined, on a discretionary basis. Variable compensation can be adjusted in function of certain risk and compliance criteria.

The vesting of deferred awards is subject to conditions and can be forfeited in case of voluntary termination of employment or misconduct.

7 Glossary of Terms

The following terms are used in this document:

- **ALCO:** Asset and Liability Committee
- **Basel II:** The June 2006 capital adequacy framework issued by the Basel Committee on Banking Supervision in the form of the 'International Convergence of Capital Measurement and Capital Standards'.
- **BNY Mellon:** The Bank of New York Mellon
- **BNYMC:** The Bank of New York Mellon Corporation
- **CCR:** Counterparty Credit Risk
- **Compensation Oversight Committee (COC):** COC is responsible for reviewing each incentive compensation plan annually. COC approval is also required in connection with any amendment to or termination of any incentive compensation plan.
- **CRD:** Capital Requirements Directive
- **Credit and Operational Risk Management Committee (CORMC):** CORMC approves the credit and operational risk methodologies and assumptions that do not require review by the Risk Quantification Committee.
- **Credit Risk Mitigation (CRM):** A technique to reduce the credit risk associated with an exposure by application of credit risk mitigants such as collateral, guarantees and credit protection.
- **Derivatives:** A derivative is a financial instrument that derives its value from one or more underlying assets, for example bonds or currencies.
- **EMEA Remuneration Governance Committee (ERGC):** ERGC is a regional governance committee that reviews the compensation plans and their implementation in the different businesses and entities of the Company in Europe, the Middle East and Africa (EMEA) (including, but not limited to, the EU Member States), in order to ensure their compliance with the laws and regulations on remuneration issued by the relevant states and regulatory authorities.
- **Exposure:** A claim, contingent claim or position which carries a risk of financial loss.
- **Exposure at default (EAD):** The amount expected to be outstanding, after any credit risk mitigation, if and when a counterparty defaults. EAD reflects drawn balances as well as allowance for undrawn amounts of commitments and contingent exposures.
- **High Level Assessment:** (HLA) An assessment of the quality of controls in place to mitigate risk and residual risk. Residual risk is assessed as High, Moderate to High, Moderate, Moderate to Low and Low with direction anticipated.
- **Human Resources and Compensation Committee (HRCC):** HRCC oversees the compensation plans, policies and programs in which the executive officers of the Bank participate and the other incentive, retirement, welfare and equity plans in which all employees of the Bank participate.
- **Institutions:** Under the Standardised approach, Institutions are classified as credit institutions or investment firms.
- **Internal Capital Adequacy Assessment Process (ICAAP):** The group's own assessment of the levels of capital that it needs to hold through an examination of its risk profile from regulatory and economic capital viewpoints.
- **Key Risk Indicator (KRI):** Key Risk Indicators are used by business lines to evaluate control effectiveness and residual risk within a business process.
- **Residual Maturity:** The period outstanding from the reporting date to the maturity or end date of an exposure.
- **Risk Appetite:** A definition of the types and quantum of risks to which the firm wishes to be exposed.
- **Risk and Control Self-Assessment (RCSA):** Risk and Control Self-Assessment is used by business lines to identify risks associated with their key business processes and to complete a detailed assessment of the risk and associated controls.
- **Risk Governance Framework:** The BNYML risk governance framework has been developed in conjunction with BNYMC requirements. Key elements of the framework are:
    - Formal governance committees, with mandates and attendees defined
    - Clearly defined escalation processes, both informally (management lines) and formally (governance committees, board, etc)
    - A clear BAU process for identification, management and control of risks
    - Regular reporting of risk issues

- **Risk Management:** includes Luxembourg Chief Risk Officer, line of business Risk Managers, EMEA Risk Architecture and respective business line Embedded Control Managers.
- **Risk Management Committee (RMC):** Risk Management Committee which meets a minimum of ten times per calendar year (according to the Terms of Reference) to provide governance on risk related items arising from the business of the group.
- **Standardised Approach:** In relation to credit risk, a method for calculating credit risk capital requirements using external credit assessment institution ratings and supervisory risk weights. In relation to operational risk, a method of calculating the operational capital requirement by the application of a supervisory defined percentage charge to the gross income of eight specified business lines.

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2013 PILLAR 3 DISCLOSURE

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